

City of Fresno, California

Proposed Budget in Brief
for the
Fiscal Year
July 1, 2003 - June 30, 2004

Mayor Alan Autry

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MAYOR ALAN AUTRY

May 19, 2003

To the Citizens of Fresno and the City Council:

It is my pleasure to present the proposed FY 2004 Budget for the City of Fresno. Developing this budget has been particularly challenging given the continuing weakness in the economy and uncertainties concerning the level of funding from the State and Federal governments, combined with the ever-increasing needs of our community. Our vision for the citizens of the City of Fresno is to build and preserve a city that creates and protects equal access to opportunities, education and quality of life for every Fresnan in every neighborhood. This structurally sound budget, if kept intact, will provide a lasting foundation for this vision in these difficult economic times.

When faced with trials like these, it is essential that the City assess its strengths, focus its priorities, and meet the challenges head on. I am pleased to say that this budget strikes a balance between dealing with today's uncertainties and addressing the future's needs. This balance was struck by adhering to four primary cornerstones, which lay the foundation for a multi-year strategy that is crucial in keeping this City moving forward.

1. **Maintain Essential Services** - Within this budget, the essential services provided by all departments will be preserved. A particular emphasis has been placed on our commitment to public safety and the prevention of violent crime. The battle waged on violent crime includes several specific initiatives that have proven successful and are included in this budget plan. This budget was built to include resources for District Crime Suppression Teams, a Street Violence Bureau and Parole Apprehension Teams. The budget includes resources to fund 251 firefighter positions, which is a 12 percent increase in just three years. We have also been faced with addressing the maintenance needs of our police and fire facilities. This budget proposes a \$7.9 million plan to make much needed improvements to various Police and Fire stations throughout the City. Also, the budget includes \$2.7 million for the construction of a Fire Station in Southeast Fresno.
2. **Investment in Job Creation through Economic Development** - The Fresno area continues to be plagued by an unemployment level that is much higher than state and national levels. The solution to this problem demands more than a simplistic statement that we need more businesses. It demands a broad perspective and a long-term view. The "Meeting the Challenge" report clearly identified job creation as a determining factor of the future health of our City. It requires investing in our youth so that they have the educational base to be productive employees. It requires that our fees are reasonable, so that we are encouraging business to operate in Fresno. Finally, it requires a safe city where businesses can prosper. This budget continues our commitment to fund those initiatives, which over time will be a giant leap forward in bringing our unemployment levels in line with

the Roeding Business Park, the Regional Jobs Initiative and downtown revitalization efforts. In addition, a deliberate effort to expedite customer service to the development community has resulted in additional resources being added to the Planning & Development Department to improve the turnaround times for the thousands of requests for community projects.

3. **Increased Investment in Neighborhood Infrastructure** - When it comes right down to it, a city is a collection of neighborhoods. The quality of a neighborhood community is dependent on the health of the neighborhood as a whole and not just the interior. I am proud that this budget continues our program of neighborhood infrastructure improvement projects, delivering a record level investment of \$18.3 million for concrete, street, sidewalk and gutter repairs in addition to crosswalks, flashing beacons in front of our schools, streetlamps and pedestrian walkways. When our neighborhoods succeed, our City succeeds. Thus, it is critical that City resources be dedicated to improving those neighborhoods that need assistance and preserving those neighborhoods that are healthy. This budget provides \$2.4 million in grant matching funds that reap over \$19 million in projects. This budget also continues the successful partnership that our administration has forged with the City Council by funding the Council infrastructure budgets, so that Councilmembers can address specific neighborhood needs. In addition, it addresses the needs of neighborhoods to have a community-gathering place by initiating a program to fund pocket parks, and to identify a site and develop the design for a Little League Park in Southwest Fresno.
4. **Protect the Reserves** - These fiscally challenging times call for common sense and prudent financial decision making – we must protect ourselves from “Hurricane Sacramento.” This will allow the City of Fresno to move conservatively yet relentlessly forward, while protecting our reserve. But we must not ignore the need to abide by the fundamental conservative principle of investing in ourselves. This budget does that by investing in job creation through economic development while protecting the reserve.

There are several key initiatives in this budget that will greatly enhance the quality of life for our citizens. One of these is the “READY” after-school program, modeled after the very successful After-School Programs for Education operated by the City of Philadelphia. The youth READY program is a comprehensive after-school based program planned for 20 neighborhood parks and 50 elementary school sites. It combines a strategy of academic enrichment, youth development, fitness and nutrition, and cultural enrichment. This initiative supports job creation and economic development as well by ensuring our youth are taught the skills that will make them successful, contributing members of our community.

The Convention Center is at a critical crossroad in this year's budget. The Center is facing a future of unprecedented issues which, if left unaddressed, will have an adverse impact upon the Center, the City's General Fund, the City's efforts towards downtown revitalization and job creation. To address these demands, this budget includes the privatization of professional marketing and operating services for the Convention Center. An RFP was issued earlier this Spring and two proposals were received. While still under evaluation, both companies who responded have provided budget estimates for Center operations for FY 2004. As a result of these proposals, this budget estimates a reduction of the General Fund subsidy to the Convention Center of approximately \$940,000. These savings will be utilized to fund debt service payments for \$10 to

\$12 million in capital improvements and renovations of Selland Arena. However, as the first payment for these renovations will not be made in FY 2004, \$500,000 of this amount has been used to fund neighborhood infrastructure projects, thereby offsetting a loss of State funding. The balance of \$440,000 will be retained in a reserve for capital improvements and renovations of the Center's facilities, primarily Selland Arena. No issue will have a greater immediate and long-term impact on the City of Fresno than the Convention Center. Privatization is the only way to reduce the Center's multi-million dollar dependency on the General Fund which will in turn free up much needed resources for our neighborhoods.

Air Quality is another key initiative of this budget that affects economic development. The initiative includes resources of more than \$11 million for Clean Air Street projects; over \$3 million for 25 CNG buses; \$2.1 million for 12 clean burning fuel refuse trucks; and approximately \$2 million for facility improvements to handle these new clean air vehicles. The budget also funds Operation Clean Air, a regional initiative brought forth by a coalition of local Valley cities, counties, businesses, agriculture, non-profits, health and environmental groups that are committed to taking action on improving our air quality.

Funding for senior citizen initiatives for ongoing programs has increased from last year. We have doubled the funding for senior activities in neighborhood parks and maintained our commitments to the Senior Therapeutic, Senior Paint and Emergency Repair grants. Due to a precipitous drop in donations, we have greatly increased the City's contribution for the Senior Hot Meals program.

While this budget is built on what is believed to be conservative estimates, we cannot predict what the State and the Federal governments will do with some of the funding sources used to build this budget. Of particular concern to us is the vulnerability of the Vehicle License Fee (VLF) revenues. As the State continues to grapple with its budget situation, the possibility remains that the State will use local VLF revenues to balance its books. For us, it would mean a \$18 million reduction in revenue to the General Fund. A minority of cities are building their budgets assuming that no VLF revenue will be provided to cities. I believe that taking that step would result in unnecessary anxiety for our employees and citizens because it would require us to make drastic cuts now. Thus, Fresno is marching in step with the majority of California cities in assuming no reduction in VLF revenues *at this time*.

The Governor's May Revise budget proposes a minimum take away of \$7 million from the City of Fresno. This number will certainly change, but could easily increase when the legislature takes action on the Governor's proposal. City staff have developed contingency plans to deal with the potential impacts of the State budget crisis which are part of my proposed alternatives that will need to be considered once the impact of "Hurricane Sacramento" is known.

To prepare for the storm, this budget document contains an outline of the unpleasant options we will be forced to consider. These options include, in priority order: 1) implementing all user fees as originally submitted to Council; 2) seeking employee salary give-backs on a permanent or temporary basis; 3) taking the painful steps of cutting essential City services; and, 4) using part or all of the City's reserve which would leave the City even more vulnerable during the remaining 5-7 years that it will take for the State to climb out of this fiscal crisis. Council action will be required to make adjustments as necessary. These contingencies are not pleasant to put together or discuss, but address them we must. Today, like never before, failing to prepare is preparing to fail.

During FY 2003, the City Council initiated a study of all of the City's fees by Maximus, Inc. These fees, for services that are provided to our citizens, number over 3,000 and are included in the City's Master Fee Resolution. The Maximus study was performed for two primary purposes: 1) to determine to what extent the City was recovering its cost for providing fee-related services; and 2) to determine what changes would be necessary to recover the cost for providing these services. If a fee does not recover the full cost of providing the service, it results in a General Fund subsidy which shifts funds away from the critical, high priority needs such as public safety and job creation.

The Maximus fee study found that over 700 fees were not recovering the full cost of the services provided. However, before an increase in a fee was considered, our Administration required the Department responsible for the service to demonstrate with clarity and certainty that the cost recovery was justified and that the services are being provided as efficiently and effectively as possible.

The building of this budget required creativity, dedication, and hard work. I can't think of three better terms to describe our City employees. When faced with difficult financial conditions, our employees rise to the challenge by delivering services in a manner that can only be described as outstanding. There may be disagreements between others and myself concerning policy; but all of us, regardless of political stance, should be proud to work with the dedicated men and women on the City of Fresno's team.

Additionally, the Budget Committee of the City Council identified their top nine priorities for the next fiscal year. After conscientious and collaborative effort, I am pleased to say that this budget addresses all of the Budget Committee's priorities.

As I mentioned earlier, this budget was built upon four cornerstones. I am committed to maintaining these cornerstones as the way to build a strong and lasting foundation for Fresno. It is my firm belief that the course laid by these objectives is the right one for the City. I strongly urge the Council to keep these cornerstones intact throughout budget deliberations, so that we can build a strong long-range, multi-year strategy for the City of Fresno.

Today, we are facing some of the most challenging times in the history of our Country, State and City. In times such as these, we are morally obligated to put away self-serving politics and embrace the self-sacrifice of public service. By coming together, working together, and facing our problems head on, we can ensure a healthy future for our City. Our children and grandchildren are depending on us to do just that, and we cannot—and will not—let them down.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Autry", written in a cursive, flowing style.

ALAN AUTRY
Mayor



Daniel G. Hobbs
City Manager

May 19, 2003

TO: Council President Tom Boyajian
Council Members

FROM: Daniel G. Hobbs, City Manager *Dan*

SUBJECT: BUDGET OVERVIEW

Under the leadership of Mayor Alan Autry, this budget enables continued progress for the City of Fresno despite challenging economic constraints marked by the sluggish national economy and the unprecedented State fiscal crisis. Despite these challenges, this budget balances projected revenues and expenditures while maintaining essential services, including an increased commitment to public safety, investing in job creation through economic development, increasing neighborhood infrastructure, and protecting the Emergency Reserve.

Economic Overview

The coming year holds a number of uncertainties that could result in long-term negative impacts to the City of Fresno. In addition to the relatively weak economy and the corresponding slow growth in revenues, there looms a potential loss of General Fund resources of up to \$18 million in Vehicle License Fees (VLF) backfill that may be taken by the State. The City is also faced with financial challenges including increasing demands for infrastructure as outlined by the General Plan, rising operating demands associated with increases in salaries and inflation, coupled with the increasing costs of Worker's Compensation claims.

Other challenges facing our City as identified in the Meeting the Challenge report include:

- Fresno collects less revenue per capita than all its California peers.
- Fresno's citizens pay less per capita in municipal taxes than their California peers.
- Fresno spends significantly less than its peers in most city service functions, with the notable exception of Police.
- Fresno has the most severe structural unemployment among its peers – and spends less on economic development than virtually all its peers.
- Fresno has deferred maintenance issues and has significant pockets of under investment.
- Fresno has a less diversified revenue base than its peer cities.

Under current economic conditions, the cost to maintain service levels is outpacing growth in city resources. Absent an aggressive and growing economy, ongoing General Fund service cuts would likely be required as soon as FY 2006, even if the State holds us harmless. Clearly, the City has a challenging future ahead. However, the cornerstones of this budget lay the foundation to face these challenges.

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Budget Overview

This budget reflects only the negative impacts from State budgetary actions that are reasonably certain at this time:

- Loss of \$1.1 million annually in booking fee reimbursements for the Police Department.
- Loss of \$900,000 in Governors Transportation Improvement Program (GTIP) funding for streets and roads.
- Loss of \$600,000 in annual State Mandated Reimbursements.
- Indefinite deferral of \$10 million for the widening of Peach Avenue.
- Indefinite deferral of \$6 million for Chestnut Avenue improvements.

Based on the consensus that a VLF take-away is next, we are watching carefully as events unfold at the State level. The prudent actions of the Mayor and Council in establishing a Reserve for Economic Uncertainty has put our City in a better financial condition than our peer cities in the State. Because of the actions taken the past two years, we are in a position to maintain essential services through an economic recession of two to three years. The combined challenges of the recession and the State's fiscal crisis have required exceptional fiscal prudence as follows:

- Specific target levels were established for each operating department, and **Full-Time Equivalents decreased by 33.12** for non-sworn positions citywide. Sworn positions increased by 70 Full-Time Equivalents.
- The FY 2004 target budgets held department appropriations at the adopted 2003 levels with specific exceptions for legal obligations; costs associated with a growth in the population; or specifically identified operational imperatives related to performance and tied to a direct revenue resource.
- This strategy required departments to find efficiencies or make cuts in excess of \$13.6 million citywide, including almost \$7 million in the General Fund, that equates to 4%. These efficiencies and/or cuts were required in order to absorb the costs of inflation and labor agreement increases for contracts signed in FY 2003 and prior.
- This strategy assumes **no increases for outstanding labor contracts in FY 2004.**

In addition, departments identified other one-time expenditures that could be put off such as deferring maintenance, delaying investments in technology and, postponing training. The postponement of training is especially difficult given that it comes on the heels of the 2001 Macias report specifically identifying training as an issue for the City's future.

The strategies executed in building this budget are necessary to maintain essential services, preserve jobs, invest in neighborhoods and economic development. Fresno is fortunate that we are not in the deficit position of many California cities such as Long Beach which is facing a \$50 million shortfall, or San Jose which is managing a \$76 million deficit and has frozen funding for long planned neighborhood improvement projects. Some cities have already issued layoff notices, cut public safety positions, closed fire stations, and canceled major public works projects. Due to prudent fiscal planning and a comprehensive evaluation of our financial condition, our City is prepared to meet the upcoming year without taking such drastic measures at this time.

Mayor Autry has laid out a plan for the City that conservatively yet relentlessly moves this City forward. The four cornerstones of this budget give us the tools we need to keep Fresno on course.

1. Maintain Essential Services

Imbedded in the number one budget cornerstone for FY 2004 is an increased commitment to Public Safety and to the prevention of violent crime.

Police Department: This budget adds 67 Sworn officers to the force, bringing total sworn Police Officers to 778, the highest in Fresno's history.

Due to attrition and other factors, vacancies fluctuate from month to month and year to year. Despite this, the number of Officers on the street for the past three years has increased by 55 positions, over 8 percent.

	FY 2002	FY 2003	FY 2004
Total Sworn	702	711	778
Filled Sworn (Average)	686	686	741

The battle waged on violent crime includes several specific initiatives that have proven successful. That is why this budget includes resources to increase each of these efforts:

- District Crime Suppression Teams – These groups handle tactical situations, violent crime, and proactive patrol in high crime neighborhoods.
- Street Violence Bureau – This Citywide bureau provides manpower support to the DCS Teams and adds to their effectiveness by serving as an additional tactical component for them.
- Parole Apprehension Teams – These teams proactively warrant, arrest, and stakeout operations to desist parole violators before they commit their next crime.

Fire Department: The Fire Department has increased the number of firefighters available from a low of 224 in FY 2001 to 239 in FY 2003. The proposed FY 2004 budget includes resources to further increase that number to 251 this year. That's a 12 percent increase in just three years.

Public Safety facilities are in dire need of repairs and improvements. This budget includes a financing plan that provides \$6.4 million for the much needed renovation at various fire stations and \$1.5 million at various police stations. The FY 2004 budget also includes funding of \$2.7 million for the construction of Fire Station #15 in Southeast Fresno.

2. Invest in Job Creation through Economic Development

Economic Development can be defined as initiatives that : enhance the economic viability of the community by revitalizing commercial areas; assure high quality education opportunities that relate to "real world" jobs; or create opportunities for "living wage" jobs.

This can be accomplished by leveraging to every extent possible, State and Federal economic development resources and by working more closely with community development corporations, for-profit corporations and non-profit corporations. The FY 2004 proposed budget does that by making specific investments in key economic development projects such as \$5 million for the completion of Roeding Business Park. Additionally, both the Regional Jobs Initiative and Downtown Revitalization efforts remain critical priorities. Specific appropriations for these efforts will be pursued based on the attractiveness of the projects proposed.

May 19, 2003

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Planning and Development Initiatives: The Planning and Development Department handles thousands of requests for community projects that are the essence of economic development. The FY 2004 budget adds three positions to improve inspection and review turnaround times. This is a deliberate effort to accelerate project timelines resulting in expeditious job creation.

3. Increased Investment in the Neighborhood Infrastructure

The FY 2004 budget takes a holistic approach to healthy neighborhoods. It views the quality of a neighborhood as a whole; a "neighborhood community."

The FY 2004 budget strategy will ensure a healthy neighborhood as a whole as it considers the balance between the neighborhood community versus the interior neighborhoods. Interior neighborhood infrastructure continues to be a focus of the budget, but it will not ignore the necessary balance of the neighborhood community as a whole. The FY 2004 budget includes \$18.3 million in Neighborhood Infrastructure projects - that is the highest single year investment in the history of the City, against the backdrop of a State budget crisis.

4. Protecting the Reserves

During FY 2002, proactive financial management took advantage of historically low interest rates and in the process created the resources to establish a \$10 million reserve. The most significant issue facing the City budget is the uncertainty surrounding the State's budget crisis and the very real possibility that a portion of our General Fund revenue stream will be taken by the State Government to help balance the State's \$38 billion deficit. This, combined with the relatively flat economic environment in the Central Valley, necessitate that the reserve be vigilantly protected.

Except for specific economic development opportunities, we recommend that the reserve go untouched, providing some protection from the State grab that is poised to rob California's local governments.

Key Issues

Convention Center

The Convention Center is facing a future of unprecedented issues, which if left unaddressed, will have an adverse impact upon the Center and the City's General Fund. These issues include the lull in convention activity in the New Exhibit Hall as well as the opening of the Save Mart Center, located at Fresno State. The Save Mart Center is a world class facility which will present the first direct, local competition the Center has faced. This competition has already resulted in the loss of the Center's two major tenants, FSU Basketball and Fresno Falcon hockey. These losses, coupled with the loss of the Fresno Frenzy Arena Football franchise, leaves the Center without a major tenant. An unresolved disadvantage will result in a dramatic drop off of activity at the Center. This drop off will be detrimental to the City's efforts towards downtown revitalization and job creation. It will also result in an increase to the current \$6 million annual subsidy provided by the City's General Fund, which will reduce funds available for job creation and public safety initiatives.

Selland Arena is a 37 year old facility, which is need of significant renovations to remain competitive. The cost of the needed renovations has been estimated in the range of \$10 million

to \$12 million, based upon an independent study prepared for the City. Bonding for these renovations would have an annual debt service of \$700,000 to \$1,000,000. There is currently no funding for these renovations included in the \$6 million subsidy, nor is funding contained in any budget projections based upon current operations. The only option currently available is to create a new funding source.

To address the above demands, staff issued an RFP for professional marketing and operating services for the Center. On April 11 proposals were received from SMG and Global Spectrum, the two largest facility operating companies in the world. While the proposals are still under evaluation, both companies have provided budget estimates for the Center operations for this fiscal year, which have used for the preparation of this budget. This budget estimate, which is subject to final negotiations, presents a reduction of the General Fund subsidy of approximately \$940,000. These savings will be utilized to fund the debt service payments for the above mentioned capital improvements and renovations of Selland Arena. However, as the first payment for these renovations will not be made in this fiscal year, the \$500,000 of this year's amount has been used to fund neighborhood infrastructure projects, thereby offsetting a loss of State funding. The balance of \$440,000 will be retained in a reserve for capital improvements and renovations of the Center's facilities, primarily Selland Arena.

After-school Programs for Education

Recognizing that the children of our community deserve the most effective recreational programs available, this budget includes resources for the Youth READY Program - Recreational & Educational Activities to Develop Youth.

The READY program is a comprehensive After-school activity-based program planned for 20 neighborhood parks. The READY strategy combines:

- Academic Enrichment - provides academic enrichment for youth.
- Youth Development - develops and enriches personal life skills for children.
- Fitness and Nutrition - promotes healthy lifestyles for healthy children through programs and activities.
- Cultural Enrichment - provides a venue for creative expression.

Senior Programs

The FY 2004 budget includes several programs and projects for the senior citizens of our community. We have:

- Doubled the senior activities in neighborhood parks;
- Increased funding for the Senior Hot Meals program; and,
- Maintained our investments in Senior Therapeutic programs, the Senior Paint initiative, and the Senior Emergency Repair grants.

Overall, the FY 2004 budget includes an increased investment of \$68,000 for the Seniors and the Aging over the FY 2003 budget:

Description	FY 2003 Budget	FY 2004 Budget	Funding Source
Senior Activities at Neighborhood Parks	\$ 19,200	\$ 41,700	General Fund
Hot Meals Programs	422,600	465,500	General Fund
Therapeutic Recreation Programs	137,300	137,300	General Fund
Senior Paint Initiative	\$50,000	\$50,000	CDBG
Senior Emergency Repair Grant	50,000	50,000	CDBG
Fresno Madera Agency on Aging	47,800	47,800	General Fund
Senior Discounts on Utilities	212,000	215,000	General Fund
Total	\$ 938,900	\$ 1,007,300	

Air Quality Initiatives

The FY 2004 budget also prioritized Clean Air projects and initiatives Citywide. The budget includes:

- More than \$11 million in Clean Air Street projects.
- Over \$3 million for 25 CNG buses.
- Approximately \$2.1 million LNG refuse trucks.
- Approximately \$2 million in facility improvements necessary for these new clean air vehicles.

The FY 2004 budget also helps fund Operation Clean Air, a regional initiative brought forth by a coalition of local Valley communities that are serious about taking action on improving our air quality.

Master Fee Schedule

The Master Fee Schedule contains 3,074 different fees for services that are provided to our citizens. During FY 2003, the City Council initiated a study of all of the City's fees by the Maximus Inc. This study was performed for two primary purposes: 1) to determine to what extent the City was recovering its cost for providing fee related services; and, 2) to determine what changes would be necessary to recover the cost for providing these services. If a fee does not recover the full cost of providing the service, it results in a subsidy which shifts funds away from the critical, high priority needs such as public safety, economic development and job creation.

The Maximus fee study found that 734 fees were not recovering the full cost of the services provided. However, before an increase in a fee was considered, the Department responsible for the service had to show that the services are being provided as efficiently and effectively as possible. There are a limited number of fees that were considered for an increase and are included in this budget. For these fees, each respective department showed that services are provided in a best practices manner, and that all reasonable opportunities for savings have been exhausted.

The following table summarizes the changes in fees presented in this year's budget:

	Number	Percent
Fees Not Changed	2,863	94.14%
New Fees (formerly subsidized at 100% of cost)	23	0.75%
New Fees (new or additional services offered)	77	2.50%
Fees Increased	103	3.35%
Fees Decreased	8	0.26%
Total Fees	3,074	100%
Fees Deleted or Consolidated	33	n/a

* Fees with text changes only have not been included in the table.

The citizens of the City of Fresno deserve this level of analysis and scrutiny in the proposal of any fee increase. The Master Fee Schedule document sets a new benchmark in how fee adjustments are developed and proposed by this Administration to the City Council.

Contingency Plans

While the FY 2004 Budget is built on conservative estimates, the outcome of the State's budget crisis has built a cloud of uncertainty regarding what they will do with some of the funding sources used to build this budget. We have prepared a Contingency Plan, outlined below, and will be developing it in further detail in the days and weeks following the release of this budget.

In essence, the Contingency Plan reframes the options presented in the "Meeting the Challenge" report issued January 1, 2003 in the context of the continuing uncertainty about the size of the revenue reductions to the City of Fresno which will occur when the State Budget is adopted. The range of possible State actions and resulting cuts across funds is impossible to determine, although it is likely that the City's General Fund will be cut, and as much as 10% if the VLF fees are taken from cities. Also, a series of other possible actions could cut funding for Public Works and Parks and Recreation programs, to name just two others. The fully developed Contingency Plan will address all of these possibilities. The alternative to be considered include, in priority order:

Option 1 - Implement all the user fees as originally submitted to Council per the User Fee Study. The Maximus fee study found that 734 fees were not recovering the full cost of the services provided. However, before an increase in a fee was considered, the Department responsible for the service had to show that the services are being provided as efficiently and effectively as possible. The limited number of fees that were considered for an increase showed that the services were provided in a best practices manner, and that all reasonable opportunities for savings had been exhausted. If the City's fees do not recover the full cost of providing the service, it results in a General Fund subsidy which shifts funds away from the critical, high priority needs of job creation and public safety initiatives. During FY 2003, key public safety fees were presented to the City Council. A number of those fees were not adopted at their originally recommended amounts. Option 1 would include implementation of these fees as originally submitted to Council.

Option 2 - Seek employee salary "give-backs" on a permanent or temporary basis.

Employee services are more than half the expenditures of the City's total budget, and make up 65% of the General Fund. Much of the rest of the budget is comprised of fixed costs. This means that any meaningful Contingency Plan that does not cut essential City services by exercising layoffs must include the salary "give-back" option.

Option 3 - Do an across the board cut of the percentage required.

This has superficial fairness, but except in the case of a small cut that is carefully analyzed (as was the across the board 2.5% cut made in February 2003), it has serious adverse impacts on the delivery of essential services.

Option 4 - Determine what programs and departments have priority, and target cuts to those departments or programs that are agreed should be eliminated first.

This option would preclude Option 3 in the event that the General Fund is hit by more than 3-5%. Targeted cuts to those departments or programs that are agreed should be eliminated first requires careful and collaborate analysis. For example, if the General Fund must be cut by 5% but Public Safety is exempted, there are serious consequences for the remainder of the General Fund departments. Public Safety gets 70% of the General Fund and almost one-third of the remainder of the General Fund is fixed costs for items like debt. Therefore, exempting public safety really means a targeted cut of roughly 25% of all other General Fund Activities. This would further exacerbate the recent trend towards increasing use of the General Fund for Public Safety. A 5% cut approached this way would increase the General Fund use for Public Safety from 70% to 74% and decrease the use of the General Fund for all other purposes from 22% to 18%, accelerating the timetable for elimination of all General Fund Services except for Public Safety.

Option 5 - Use the \$8.5 million Unappropriated Reserve.

It should be noted that use of the reserve would leave the City even more vulnerable during the remaining 5-7 years that it will take for the State to climb out of its fiscal crisis. It would seem irresponsible to use a significant portion of the reserves to deal with what is likely to be the first in a series of difficult years.

Option 6 - A combination of the above.

Balancing a combination of the above recommendations is a possibility and will not be overlooked as the Contingency Plans are developed further.

In addition, the City is pursuing other "Best Practices" as recommended by the Best Practices Task Force. However, the positive impacts of implementing those recommendations will most likely not be realized in FY 2004.

Finally regarding the Contingency Plans, alternatives to these expenditure reduction options include revenue enhancement initiatives. However, any revenue enhancements which require voter approval, are probably not an option for FY 2004 given the requirement they be on the ballot in March 2004 at the earliest, and even if passed, the entire fiscal year will be lost before the first dollar can be collected.

Council Budget Committee

The Budget Committee of the City Council identified their top nine priorities for the next fiscal year. The Committee then met with the Mayor to discuss these points. Through collaborative efforts, the Mayor's proposed budget addresses all of the Budget Committee's priorities as follows:

1. "Reserves to remain untouched.
2. Council infrastructure budget to remain at FY 2003 levels.
3. Keep 7-week street project.
4. Provide funds for Economic Development.
5. Provide funds for Neighborhood projects.
6. Maintain Public Safety.
7. Repair Fire Stations.
8. Consider Grant Writers for City.
9. Complete Roeding Business Park."

Conclusion

The FY 2004 budget presents a sound fiscal plan that maintains the City's service commitment to our citizens and to the programs and policies the Mayor and City Council have established. It continues the resolute financial discipline that has allowed us to manage through the current economic downturn. This budget and the City's leadership will guide us through the challenges that lie ahead.

KEY BUDGET ISSUES IN FY 2004

A City as large and complex as the City of Fresno has a multitude of budget issues that would be of interest to the public and their elected representatives. We have tried to present those that are important in the Mayor's Proposed Budget document, department by department. This summary is not meant to substitute for those detailed presentations, but rather capture those that are larger than most.

The most significant issue facing the City budget is the threat to the City's General Fund from relatively flat revenue growth due to economic conditions, and the very real possibility that a significant portion of our General Fund revenue stream will be taken by the State Government to balance the State budget. This has happened repeatedly in the past, generally with revenues taken by the State never returning to local governments.

As the analysis in the following pages shows, the General Fund is the revenue source used to fund public safety, with nearly 70 percent of Fresno City's General Fund going to support the Police and Fire Departments. So in a very real sense, every dollar cut from the General Fund threatens to take seventy cents out of the Police and Fire Departments. The other major discretionary uses of the General Fund are for our parks, the elected and appointed officials, and public works. Preserving and enhancing the General Fund will be the major challenge in FY 2004.

You will find many other policy choices in the Mayor's Proposed Budget document, clearly spelled out in the Issues, Unfunded Needs or Budget Comments section of each department. Some issues will require further study, most unfunded needs are important but not vital to city operations in a very tight budget, and budget comments explain increases or other issues which need to be addressed.

The following represent some of the Key Issues addressed in the FY 2004 Budget. These issues as well as other significant budget items are described in further detail in the Mayor's Proposed Budget document:

- Resources have been dedicated to increase efforts related to the prevention of violent crime in the following areas:
 - District Crime Suppression Team
 - Street Violence Bureau
 - Police Apprehension Team
- Investment in Neighborhood Infrastructure is \$18.3 million.
- \$2.4 million budgeted for matching funds reaps over \$19.0 million in projects.
- Parks focuses on the After School "READY" Program, Pocket Parks in central and southeast Fresno, and a Little League Facility in Southwest Fresno.
- A five person strike team is funded for sensitive use CUP enforcement per the Crippen Report recommendations.
- Clean Air Initiatives totaling more than \$15 million are included in this budget.
- The Reserve for Economic uncertainty is protected, with an investment of \$1.5 million in Economic Development for Roeding Business Park and investment in job creation.
- Public Safety Facility Improvements are funded in excess of \$7.9 million.
- Over \$1 million for Senior programs are funded.
- No utility rate increases are proposed.
- Convention Center Management privatization to advance the competitiveness of the facility is proposed in this budget and projected to save the city approximately \$940,000 to be used to fund neighborhoods infrastructure projects at \$500,000 and improvements at Selland Arena totaling \$440,000.

DEPARTMENT BUDGET OVERVIEW

The Proposed Budget for FY 2004 consists of all the City operating and capital projects as well as various debt service funds. It is supported by local taxes, charges for service, federal and state funds, as well as miscellaneous revenue sources.

Fresno has been impacted less than most of the State by the economic downturn which has effected the nation. However, Fresno did not entirely escape the downturn. General Fund revenues projected for FY 2003 are now roughly five percent over the actual revenues received in FY 2002. That trend is anticipated to continue into FY 2004 with only a modest increase. Revenue estimates have been projected conservatively, only three percent more than the adopted FY 2003 budget.

The Proposed General Fund budget for FY 2004 is balanced. It includes a reserve of 8.5 million dollars. Another \$1.5 million previously reserved is dedicated for Roeding Business Park in FY 2004. It also continues the Mayor's commitment to essential services, investment in job creation through economic development, increased investment in neighborhood infrastructure and protection of the reserve.

The budget includes a revised presentation of a five year Capital Improvement Plan. Due to charter restrictions, the Council may only approve only a one year budget. However, the additional years give the Council better information on which to base its decisions in the capital area and evaluate priorities among the unmet needs.

The department budgets are presented in the Department Summary Section of the Mayor's Proposed Budget document. Each department's presentation includes an overview, an issues section, a list of unfunded needs submitted by departments, and the budget comments which describe new initiatives or requests and other relevant matters for Council's consideration. Each department also has a section on management objectives (MBO's) and performance measures. These published and other unpublished performance measures are then used to track how well the department is meeting its mission.

City Attorney

The City Attorney's Office will continue to provide legal service of the highest quality, in a timely and cost-efficient manner to the City and to client departments. The Office oversees the legal aspects impacting the City through its three work units which includes Code, Civil Advisory, and Litigation. The City Attorney has also given increased attention to code enforcement to protect public safety and preserve the quality of life in Fresno.

City Clerk

The City Clerk's Office will continue to provide a high level of service to the Public, Council, Mayor, and City departments, as well as meet established time-lines for agenda and Council minutes preparation.

City Manager

The City Manager will be directing the organization in ways that accentuate the Mayor's vision of Fresno as a community that works together. This office will work closely with the Mayor, City Council, citizens, department directors, and staff to identify citywide goals and strategies and to continue successful government in Fresno. Consistent with directions identified in this process, the City Manager will empower departments to act in a professional, independent yet accountable manner, while requiring fiscal prudence and commitment to responsibility, accountability, and performance. The City Manager will seek to ensure that City staff is supported by an effective

organizational structure and by appropriate systems targeted at optimizing service delivery to citizens and other City operations.

The City Manager's Office will maintain a strong leadership and coordination role in multi-department efforts such as exploring "Best Practices"; optimizing youth programs; continuing investing in neighborhood infrastructure; downtown revitalization; and air quality initiatives.

Convention Center

The City of Fresno is facing a significant crossroad with the marketing and operations of the Convention Center facilities. The City is facing unprecedented local competition which has already drawn the two major tenants away from the facilities. The Fresno Convention Center (Center) does not have the resources to compete with the national company that will be marketing and operating the Save Mart Center. If a significant change is not made, the City will suffer the following consequences:

- ▶ Increase in the current \$6 million General Fund subsidy to the Convention Center, reducing funds available for job creation and public safety initiatives;
- ▶ Continued decline of Convention Center facilities due to a lack of funding sources available for needed renovations,
- ▶ Reduction in job creation opportunities through reduced hospitality expansion.

To adequately compete with the Save Mart Center, and to increase entertainment activity in Downtown Fresno, the marketing of the center must be changed, the center is competing with a company with national marketing strength, relationships with major entertainment producers, and the ability to package concert tours to include the numerous arenas it manages. This will result in events being booked directly to Save Mart Center once a tour is started. The center does not have the staff resources or expertise to compete with this level of marketing. Therefore, the hiring of a private firm is necessary to stay competitive.

Economic Department

The Economic Development Department is new in the FY 2004 budget. The creation of this department resulted from the reorganization of the Housing, Economic, and Community Development Department. The Department will be the primary and lead agency in the implementation and coordination of economic development policies and programming for the City of Fresno. Programming and projects will focus on the five key elements of economic vitality: existing business retention and expansion; new business attraction; access to capital; workforce development; and business advocacy and information.

Finance Department

The Finance Department provides support services to the general public, City Council, and City departments in an accurate and timely manner. These services include accounting, financial reporting, accounts payable/receivable, payroll, portfolio management, cash management, budgeting, and internal audits.

The Department continues to look for opportunities regarding revenue enhancements, budget and financial management improvements, as well as processing vendor and payroll obligations in the most efficient and timely manner. The Department's budget includes a replacement billing and collection system in order to better serve its customers. In addition, the replacement of the Cost Allocation Plan model is also budgeted due to the existing model's inability to recognize a fiscal year past 2004. This replacement model will provide the means to properly allocate the Mayor, the City Council, and the City Manager's costs to non-general fund departments, as required by most Federal grants.

Fire Department

The Fire Department has increased the number of firefighters available from a low of 224 in FY 2001 to 239 in FY 2003. The budget in FY 2004 includes resources to further increase that number to 251 this year; that's a 12 percent increase in just three years.

The maintenance of Fire Department Facilities has been deferred for several years due to more imperative operational needs. In FY 2004 the City will obtain \$6.4 million of financing to address the facility improvement needs. The increase in customer user fees will be used to repay the debt and to establish a sinking fund for future needs. Also, the budget includes \$2.7 million for the construction of a Fire Station in southeast Fresno.

General Services Department

The General Services Department contains the City's fleet services, facilities, purchasing, printing and communications operations. Set up as an Internal Service Fund, this Department plays a critical support function for public safety, transportation, utilities, and other City departments.

The General Service Department actively engaged in looking for more efficient ways to deliver services, such as their approach to replace tires, which used a public private partnership to save the City substantial resources. They are also actively involved with energy efficiency efforts in City facilities.

Housing, Economic and Community Development

This department has been the subject of a reorganization. The Housing and Community Development and Code Enforcement Divisions are now in the Planning and Development Department. The Community Sanitation Division now resides in the Department of Public Utilities. The Economic Development Division is now its own department.

Information Services Department

The Information Services Department provides information technology services and support to all City departments. The Department's services are categorized into six areas: desktop support, network support, HTE, PeopleSoft, Geographic Information System, and specialized applications. These services are offered with a Service Level Agreement that outlines the Department's commitment to providing the highest level of service in order to enhance customer satisfaction.

A Citywide assessment of Information Technology (IT) is scheduled to be completed in May 2003. The assessment will address a range of service delivery opportunities which will lay the foundation for the development of a five-year IT Strategic Plan. The Director/Chief Information Officer will take the lead in producing the IT Strategic Plan which will provide a road map addressing technology needs, maintenance requirements, disaster recovery planning, establish priorities, as well as estimate funding and resource requirements.

In FY 2004, the Department is scheduled to complete the re-wiring of City Hall which will be a key step toward building a solid information systems foundation.

Personnel Services Department

This Department was created from the old Department of Administrative Services and includes human resources, risk management, training, and retirement functions. The reorganization, recommended by the Macias report, is designed to provide more efficient services to City Departments and better control the costs of service.

Parks, Recreation, and Community Services Department

The Parks, Recreation and Community Services Department focus in FY 2004 will be on implementing a new comprehensive after-school program, increasing services provided to seniors, providing essential services, and investing in neighborhoods.

One of the Department's major objectives for FY 2004 will be the implementation of the proposed new after-school program. The proposed Recreational & Educational Activities to Develop Youth, or "READY" Program has been modeled after a similar program implemented in Philadelphia. This comprehensive activity-based program will equip Fresno's youth with the skills needed to succeed in the 21st century.

The FY 2004 proposed budget includes increased funding for the Senior Citizens Hot Meals Program, doubling of the funding for senior activities at neighborhood parks, and maintenance of senior therapeutic programs at their current level.

The Parks Division will continue to focus on providing basic service maintaining the over 1,866 acres of parks, community centers, median islands and landscape buffers within the City despite a relatively flat budget.

Also in FY 2004, the Department is proposing the addition of a little league ball park in southwest Fresno, modeled after the Harry Goorabian Little League Baseball Park in northeast Fresno near Kaiser Permanente. The Department has also allocated resources for the development of pocket parks on a citywide basis.

Planning and Development Department

The Planning and Development Department will continue to make customer service and maintaining time-lines its top priority. To this end, the department proposes adding a Planner II, Planner III and a Senior Building Inspector. In FY 2004, The department will focus on the implementation of the 2025 General Plan. \$1.1 million has been earmarked for this implementation.

The Housing and Community Development and Code Enforcement Divisions have been transferred from the Housing, Economic and Community Development Department. This will enable the City to address in a comprehensive manner the housing and economic development needs of the community and its citizens.

The Code Enforcement Division will begin a cost recovery program in FY 2004 which is designed to reduce their dependence on Community Sanitation and Community Development Block Grant Funds.

Police Department

The Police Department is committed to providing the highest level of public safety services to the citizens of Fresno. The Department uses a variety of public outreach programs, traditional policing methods, and innovative law enforcement strategies to reach its goal of minimizing crime in Fresno.

Imbedded in the number on budget cornerstone in FY 2004 is an increased commitment to Public Safety and to the prevention of violent crime.

This budget adds 67 Sworn officers to the complement, bringing total sworn Police Officers to 778, the highest in Fresno's history.

DEPARTMENT BUDGET OVERVIEW - Continued

Due to attrition and other factors, vacancies fluctuate from month to month and year to year. Despite this, the number of Cops on the street for the past three years has increased by 55 positions, over eight percent.

	FY 2002	FY 2003	FY 2004
Total Sworn	702	711	778
Filled Sworn (Average)	686	686	741

The battle waged on violent crime includes several specific initiatives that have proven successful. That is why this budget includes resources to increase each of these efforts:

- **District Crime Suppression Teams** - to handle tactical situations, violent crime, and proactive patrol in high crime neighborhoods.
- **Street Violence Bureau** - a Citywide bureau which provides manpower support to the DCS teams and adds to their effectiveness by serving as an additional tactical component for them.
- **Parole Apprehension Teams** - proactive warrant, arrest, and stakeout operations to desist parole violators before they commit their next crime.

Public Utilities Department

The Department of Public Utilities will continue to provide dependable, low-cost, quality water delivery, sewer service, wastewater treatment and solid waste collection service in FY 2004. The Surface Water Treatment Plant will open in late FY 2004 and will be fully operational in FY 2005.

There are no rate increases proposed for FY 2004. Major initiatives in FY 2004 will include strategic infrastructure planning to satisfy water and wastewater utility service demands posed by the 2025 General Plan, downtown revitalization and regulatory requirements.

Public Works Department

Public Works will continue to strengthen its operating divisions so that they can provide the highest level of timely and cost efficient service delivery. The Department will continue work on the ongoing TEA-21 infrastructure improvement projects, totaling over \$23 million in FY 2004. These projects will improve critical transportation corridors and major intersections, particularly in the older parts of town.

Particularly important is the commitment for Americans with Disabilities Act (ADA) capital improvements in this budget. For example, funds have been set aside to install 660 wheelchair ramps at various locations in the City. This will meet the City's commitment to meet ADA requirements.

The Department will also manage neighborhood improvement projects and other projects with funding coming from Measure C, Gas Tax, CDBG, and SB325.

Transportation Department

FAX continues to improve services by adding routes to unserved areas in the City of Fresno. In FY 2004, FAX will engage in a pilot program which will provide fixed-route will be included in the FY 2005 budget.

An increase in the demand for Handyride services has necessitated an increase of these services

DEPARTMENT BUDGET OVERVIEW - Continued

in FY 2004. The FAX budget also includes \$1.5 million from Measure C. This appropriation is utilized to fund Capital projects and sustain FAX operations.

Completion of the FYI Expansion Project occurred during FY 2003. A new entry way, enhanced access at the front of the terminal, expanded parking facilities and a two-story concourse with loading bridges is just a small list of improvements that have been completed during the Expansion Project.

Fresno Chandler Downtown Airport continues to provide essential airspace congestion relief to FYI. Furthermore, Chandler is a by element in the neutralization of downtown Fresno, providing services to the Center City Business District, Regional Medical Center and one new Federal Courthouse.

FUND SUMMARY



RESOURCES

The total amount of money received by the City of Fresno in all appropriated funds is shown on this page. The information encompasses a three-year period: FY 2002 Actual Revenue receipts, FY 2003 Adopted Revenue, and FY 2004 Expected Revenue. The total Net Resources amounts represent all the revenue available to pay for services and capital projects. It excludes interfund transfers and interdepartmental charge revenue.

	FY 2002 Actual	FY 2003 Adopted	FY 2004 Proposed	Percent Change
Resources				
Beginning Balance	\$ 256,396,200	\$ 147,006,000	\$ 118,091,883	(19.7)
Local Taxes				
Property Taxes	41,856,200	45,043,300	46,397,500	3.0
Sales Tax	54,501,900	57,823,200	59,780,600	3.4
Business License Tax	12,200,900	13,723,000	15,834,100	15.4
Other Taxes	14,500,700	14,938,600	16,533,400	10.7
Total Local Taxes	123,059,700	131,528,100	138,545,600	5.3
Charges for Services	178,249,800	192,683,500	194,600,025	1.0
Federal Government	35,907,700	106,415,600	71,050,500	(33.2)
State of California	64,681,300	79,320,800	80,280,720	1.2
Fresno County	168,300	84,000	88,000	4.8
Other Revenues	203,610,700	185,806,200	213,229,908	14.8
Less: Net Interfund	5,415,900	18,381,800	18,504,000	0.7
Total City Revenue	856,657,800	824,462,400	797,382,636	(3.3)
Less: Interdepartmental	71,467,300	75,678,400	71,554,400	(5.4)
Total Net Resources	\$ 785,190,500	\$ 748,784,000	\$ 725,828,236	(3.1)

Note: The presentation of City Resources has been changed. Additional detail has been added by showing the exclusion of interfund transfers and interdepartmental charge revenues. There has been no change in methodology in the creation of this information.

TOTAL CITY BUDGET

The total budget for all appropriated funds within the City of Fresno is shown on this page. The information encompasses a three-year period: FY 2002 Actual Expenses, FY 2003 Adopted Budget, and FY 2004 Proposed Budget. The amounts shown as Total Net City budget represent the "net" budget after all interdepartmental charges are removed.

Appropriations by Fund Type

		FY 2002 Actual	FY 2003 Adopted	FY 2004 Proposed	Percent Change
Type of Fund					
General Fund	\$	155,212,700	\$ 175,498,200	\$ 178,591,100	1.8
Special Revenues		55,863,000	85,641,900	72,092,400	(15.8)
Debt Service		13,403,800	22,019,600	21,859,000	(0.7)
Capital Project		51,207,000	8,162,500	27,966,400	242.6
Enterprise		316,772,100	322,999,200	299,240,400	(7.4)
Internal Service		76,039,300	89,261,000	85,343,700	(4.4)
Expendable Trust		48,857,800	42,640,400	41,100,000	(3.6)
Total Appropriations	\$	717,355,700	\$ 746,222,800	\$ 726,193,000	(2.7)
Less: Interdepartmental Charges		71,467,300	75,678,400	71,554,400	
Total Net City Budget	\$	645,888,400	\$ 670,544,400	\$ 654,638,600	

NET BUDGET BY DEPARTMENT EXCLUDING: CAPITAL & DEBT SERVICE

The Net Operating Budgets of all departments of the City of Fresno are shown on this page. The information encompasses a three-year period: FY 2002 Actual Expenses, FY 2003 Adopted Budget, and FY 2004 Proposed Budget, as well as a percentage change between FY 2003 and FY 2004. Since appropriations from Internal Service Departments are also reflected as Interdepartmental Charges in Non-Internal Service Departments, those charges are removed for calculation of the Net Operating Budget.

	FY 2002 Actual	FY 2003 Adopted	FY 2004 Proposed	Percent Change
Departments				
Mayor Department	\$ 552,700	\$ 559,300	\$ 565,900	1.2
City Council	2,051,800	2,273,300	2,314,900	1.8
Administrative Services Department	357,500	0	0	0.0
City Attorney's Office	2,837,300	3,419,500	3,474,600	1.6
City Clerk's Office	586,400	660,400	649,400	(1.7)
City Manager's Office	1,358,800	1,232,200	1,026,900	(16.7)
Convention Center	6,440,200	7,164,600	5,705,200	(20.4)
Economic Development	373,800	929,300	1,157,000	24.5
Finance Department	9,746,000	10,162,300	10,379,900	2.1
Fire Department	26,582,600	28,942,500	28,972,000	0.1
General City Purpose	611,700	2,639,700	2,248,000	(14.8)
General Service Department	31,291,600	38,462,000	37,385,200	(2.8)
Housing and Neighborhood Revitalization Department	3,154,000	7,962,300	0	0.0
Information Services Department	10,492,400	11,094,600	8,951,700	(19.3)
Parks, Recreation, and Community Services Department	20,919,400	22,749,200	23,259,400	2.2
Personnel Services Department	18,979,000	23,745,100	22,754,900	(4.2)
Planning & Development Dept.	17,918,800	20,811,900	26,366,000	26.7
Police Department	91,980,800	101,486,700	101,651,600	0.2
Public Utilities Department	99,279,600	107,288,100	108,973,400	1.6
Public Works Department	22,364,000	23,963,600	26,189,300	9.3
Transportation Department	34,336,800	36,452,200	38,136,700	4.6
Total City Program Costs	\$ 402,215,200	\$ 451,998,800	\$ 450,162,000	(0.4)
Less: Interdepartmental Charges	71,467,300	75,678,400	71,554,400	
Net Operating Budget	\$ 330,747,900	\$ 376,320,400	\$ 378,607,600	

NET BUDGET BY DEPARTMENT INCLUDING: OPERATING, CAPITAL & DEBT SERVICE

The combined Net Operating and Capital Budgets for all departments of the City of Fresno are shown on this page. The information encompasses a three-year period: FY 2002 Actual Expenses, FY 2003 Adopted Budget, and FY 2004 Proposed Budget, as well as the percentage change between FY 2003 and FY 2004. Since appropriations from Internal Service Departments are also reflected as Interdepartmental Charges in Non-Internal Service Departments, those charges are removed for calculation of the Net City Budget.

	FY 2002 Actual	FY 2003 Adopted	FY 2004 Proposed	Percent Change
Departments				
Mayor Department	\$ 552,700	\$ 559,200	\$ 565,900	1.2
City Council	2,691,900	3,498,200	3,539,800	1.2
Administrative Services Department	357,500	0	0	0.0
City Attorney's Office	2,837,300	3,419,500	3,474,600	1.6
City Clerk's Office	586,400	660,400	649,400	(1.7)
City Manager's Office	2,195,000	2,300,600	2,105,400	(8.5)
Convention Center	10,546,500	11,407,600	13,681,200	19.9
Economic Development Department	0	0	1,157,000	n/a
Finance Department	69,343,100	82,178,900	82,316,900	0.2
Fire Department	26,669,000	31,540,200	40,981,600	29.9
General City Purpose	7,708,700	2,639,600	2,248,000	(14.8)
General Service Department	34,429,800	41,832,900	40,754,300	(2.6)
Housing and Neighborhood Revitalization Department	3,336,400	9,827,400	0	(100.0)
Information Services Department	10,492,400	11,094,600	8,951,700	(19.3)
Parks, Recreation, and Community Services Department	26,034,600	29,812,700	34,628,500	16.2
Personnel Services Department	18,988,500	23,745,000	22,755,000	(4.2)
Planning & Development Dept.	17,918,900	20,811,900	28,632,300	37.6
Police Department	94,090,800	101,486,800	103,151,500	1.6
Public Utilities Department	199,926,000	179,361,900	175,159,100	(2.3)
Public Works Department	101,559,900	80,602,000	71,910,700	(10.8)
Transportation Department	87,090,300	109,443,400	89,530,100	(18.2)
Total City Program Costs	\$ 717,355,700	\$ 746,222,800	\$ 726,193,000	(2.7)
Less: Interdepartmental Charges	71,467,300	75,678,400	71,554,400	
Net City Budget	\$ 645,888,400	\$ 670,544,400	\$ 654,638,600	

AUTHORIZED POSITIONS

City Services are provided by employee's in two major employment categories: permanent and nonpermanent (wages). The conversion to full-time equivalent takes into account the number of hours budgeted for nonpermanent (wages). The FY 2002 Adopted figures below represent the positions as of July, 2001. The FY 2003 figures represent adopted positions as of July, 2002. The numbers reflect any FY 2002 and FY 2003 reorganizations for any departments where they occurred.

	FY 2002 Adopted	FY 2003 Adopted	FY 2004 Proposed	Number Change
Mayor's Office	7.00	7.00	7.00	0.00
City Council	31.09	28.00	26.46	(1.54)
City Attorney's Office	35.75	38.00	38.00	0.00
City Clerk's Office	6.00	6.00	6.00	0.00
City Manager's Office	9.00	12.00	10.00	(2.00)
Convention Center	46.15	45.59	39.50	(6.09)
DAS Administration	4.00	0.00	0.00	0.00
Finance Department	127.78	126.65	126.65	0.00
General City Purpose Department	0.00	18.00	18.25	0.25
General Services Department	139.94	142.75	141.75	(1.00)
Housing, Economic and Community Development	166.02	158.13	0.00	(158.13)
Economic Development Department	0.00	0.00	6.75	6.75
Information Services Department	53.74	55.00	51.80	(3.20)
Non-Departmental	9.00	0.00	0.00	0.00
Parks, Recreation, & Community Services	343.47	345.07	336.74	(8.33)
Personnel Services Department	42.00	40.00	39.80	(0.20)
Planning and Development Department	94.50	94.50	188.35	93.85
Department of Public Utilities	546.29	553.65	617.50	63.85
Public Works Department	253.48	249.53	245.20	(4.33)
Transportation Department	407.88	402.10	402.10	0.00
Sub-Total Authorized FTE Non-Sworn General	2,323.09	2,321.97	2,301.85	(20.12)
Police Department - Non-Sworn	369.89	408.70	399.70	(9.00)
Fire Department - Non-Sworn	24.25	24.00	20.00	(4.00)
Sub-Total Authorized FTE Non-Sworn Safety	2,717.23	2,754.67	2,721.55	(33.12)
Police Department - Sworn	702.00	711.00	778.00	67.00
Fire Department - Sworn(1)	261.00	273.00	273.00	0.00
Transportation Department - Sworn	17.00	17.00	20.00	3.00
Sub-Total Authorized FTE Sworn	980.00	1,001.00	1,071.00	70.00
Total Authorized FTE	3,697.23	3,755.67	3,792.55	36.88

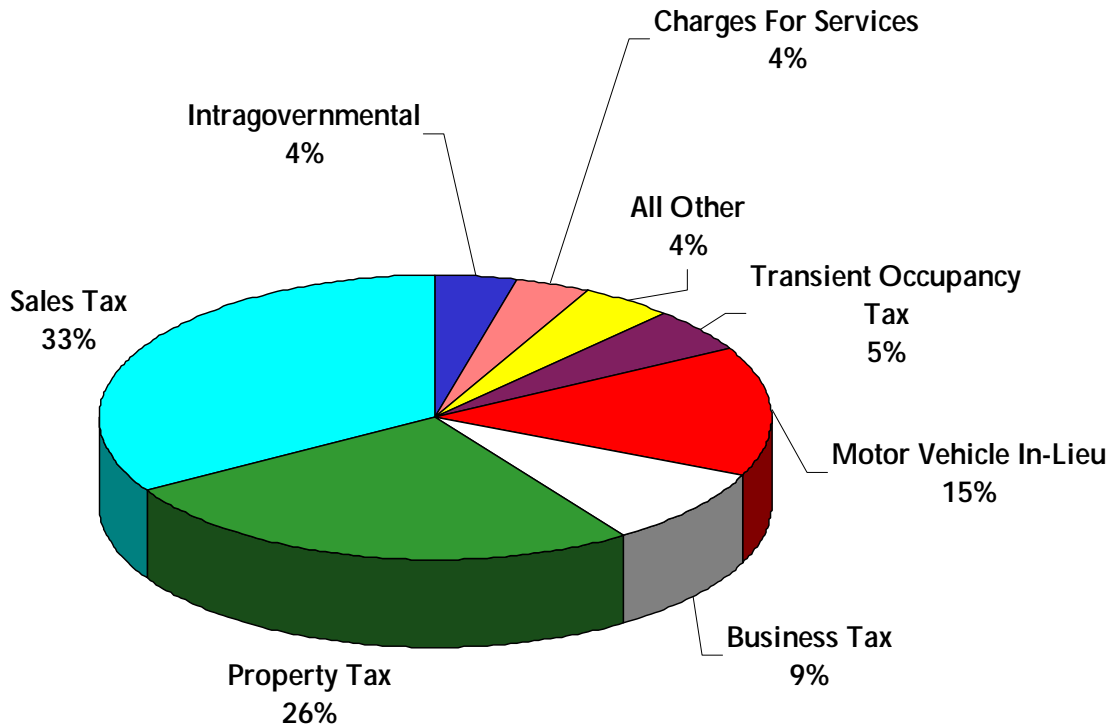
AUTHORIZED POSITIONS BY FUNDING SOURCE

	FY 2002 Adopted	FY 2003 Adopted	FY 2004 Proposed	Number Change
Safety Services Departments				
Sworn Positions				
Police Department	702.00	711.00	778.00	67.00
Fire Department	261.00	273.00	273.00	0.00
Transportation Department	17.00	17.00	20.00	3.00
Total Sworn Positions	980.00	1001.00	1071.00	70.00
Non-Sworn Positions				
Police Department	369.89	408.70	399.70	(9.00)
Fire Department	24.25	24.00	20.00	(4.00)
Transportation Department	407.88	402.10	402.10	0.00
Total Non-Sworn Positions	802.02	834.80	821.80	(13.00)
Total Safety Services (1)	1,782.02	1,835.80	1,892.80	57.00
General Government Departments				
Mayor's Office	7.00	7.00	7.00	0.00
City Council	31.09	28.00	26.46	(1.54)
City Attorney's Office	35.75	38.00	38.00	0.00
City Clerk's Office	6.00	6.00	6.00	0.00
City Manager's Office	9.00	12.00	10.00	(2.00)
Finance Department	127.78	126.65	126.65	0.00
General Services Department	139.94	142.75	141.75	(1.00)
Information Services Department	53.74	55.00	51.80	(3.20)
Parks, Recreation, & Community Services	343.47	345.07	336.74	(8.33)
Personnel Services Department	42.00	40.00	39.80	(0.20)
Public Works Department	253.48	249.53	245.20	(4.33)
Housing, Economic and Community Development	166.02	158.13	0.00	(158.13)
Economic Development Department	0.00	0.00	6.75	6.75
Non-Departmental	9.00	0.00	0.00	0.00
DAS Administration	4.00	0.00	0.00	0.00
Total General Government	1,228.27	1,208.13	1,036.15	(171.98)
Enterprise Departments				
Convention Center	46.15	45.59	39.50	(6.09)
General City Purpose Department	0.00	18.00	18.25	0.25
Planning and Development Department	94.50	94.50	188.35	93.85
Department of Public Utilities	546.29	553.65	617.50	63.85
Total Enterprise	686.94	711.74	863.60	151.86
Total Authorized FTE	3,697.23	3,755.67	3,792.55	36.88

(1) The FY 2003 Adopted number for Fire includes the 12 firefighters added midyear. Sworn strength maintained at current levels.

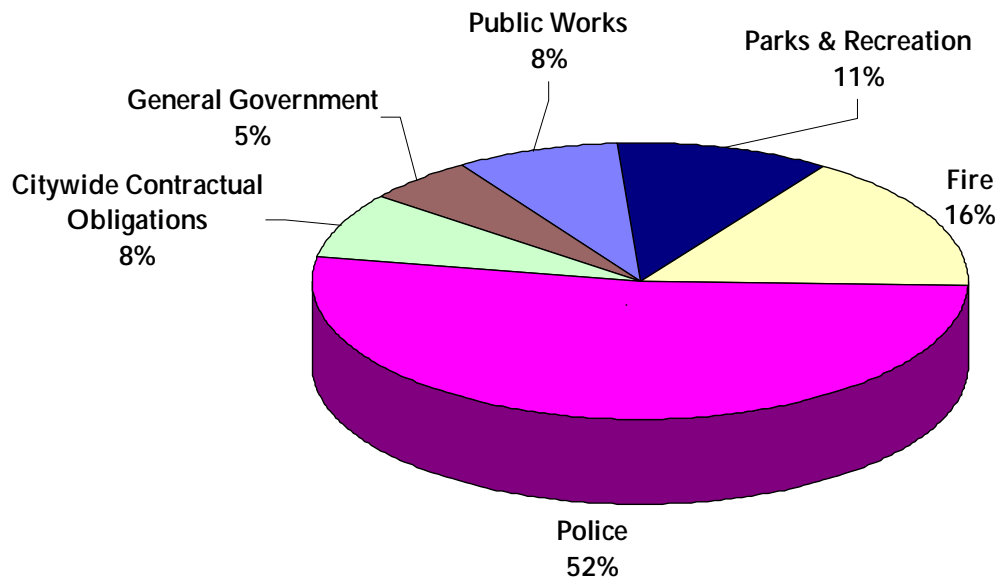
Note: The FY 2003 Adopted positions for Parks, Recreation, and Community Services Department were incorrectly stated in the FY 2003 Adopted document. The detail and summary within the Department writeup were correct. The correct number of positions is shown above.

Sources



The graph above depicts the sources of General Fund revenue for FY 2004 by major category. As shown, there are several sources of revenue that flow into the General Fund of the City. These dollars may be used for any purpose. The two major sources in revenue, sales tax and property tax, comprise 59 percent of the total. Motor Vehicle In-Lieu accounts for a little more than 15 percent in FY 2004. The remainder consists of payments for service from Non-General Fund departments, charges for services, business tax, and miscellaneous revenues.

Uses

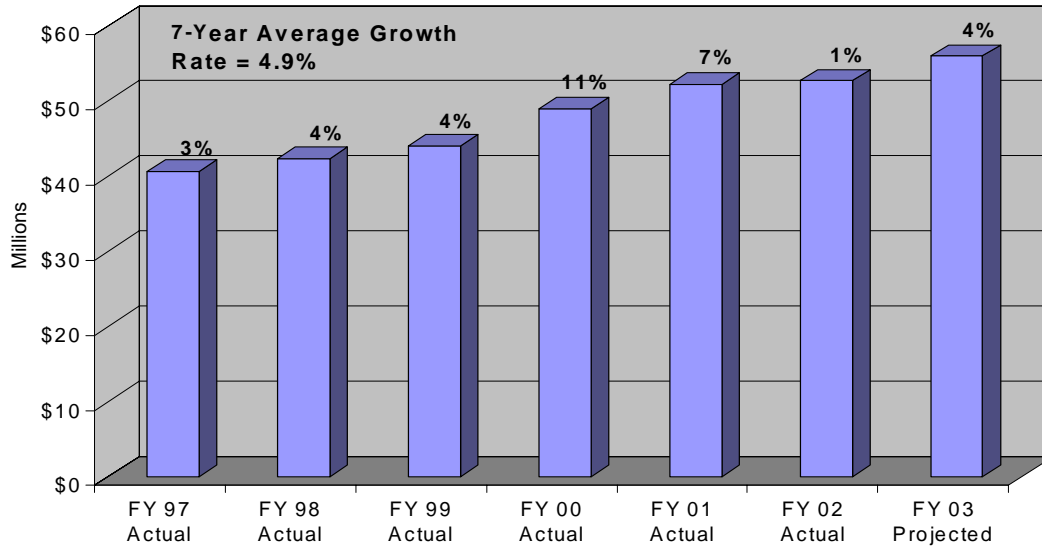


The graph above shows the recommended uses of FY 2004 General Fund revenue. The largest use of the General Fund is paying for public safety, Police and Fire, which comprises 68 percent of the budget. The next largest category is for the Citywide Contractual Obligations at eight percent, these obligations include the Pension obligation bond debt service. The next two categories are Parks and Recreation, 11 percent, and Public Works, eight percent. The remaining five percent is used for general government, economic development, and Citywide expenditures.

MAJOR REVENUES - TRENDS, MITIGATING FACTORS & ESTIMATES

Sales Tax

(% Shown = Growth Over the Prior Year)



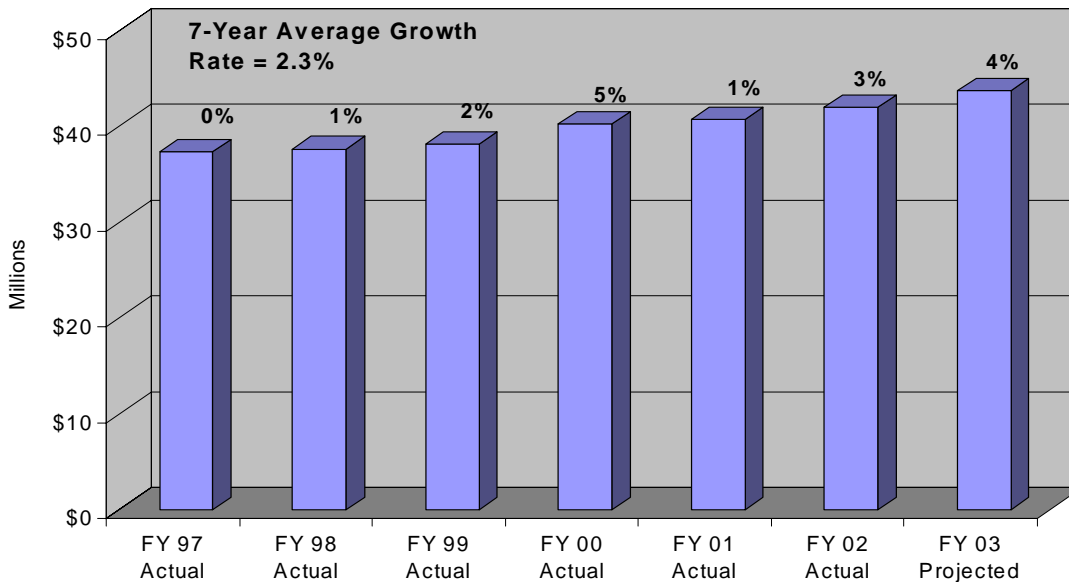
Mitigating Factors:

- Weak economic environment mitigated by post-war economics.
- Stable local spending trends despite National recessionary trends.
- FY 2002 includes a one-time \$750,000 or 1.4% negative adjustment.

Sales Tax Revenue FY 2004 Growth Estimate = 3.5%

Property Tax

(% Shown = Growth Over the Prior Year)



Mitigating Factors:

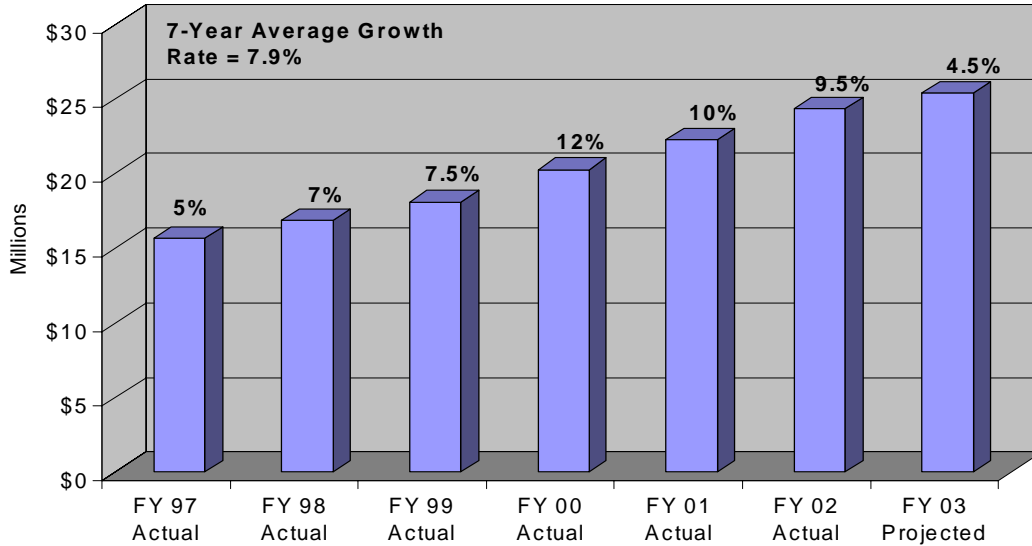
- Unprecedented home sales and prices in Fresno in the past two years.
- County Assessor validated significant progress made by that Office in reassessing Prop 8 properties.
- Prop. 8 properties in the system = \$1.9 million. FY 2004 assumes that one-half, or \$925,000 reassessed.

Property Tax Revenue FY 2004 Growth Estimate = 4.0%

MAJOR REVENUES - TRENDS, MITIGATING FACTORS & ESTIMATES

Motor Vehicle License Fees

(% Shown = Growth Over the Prior Years)

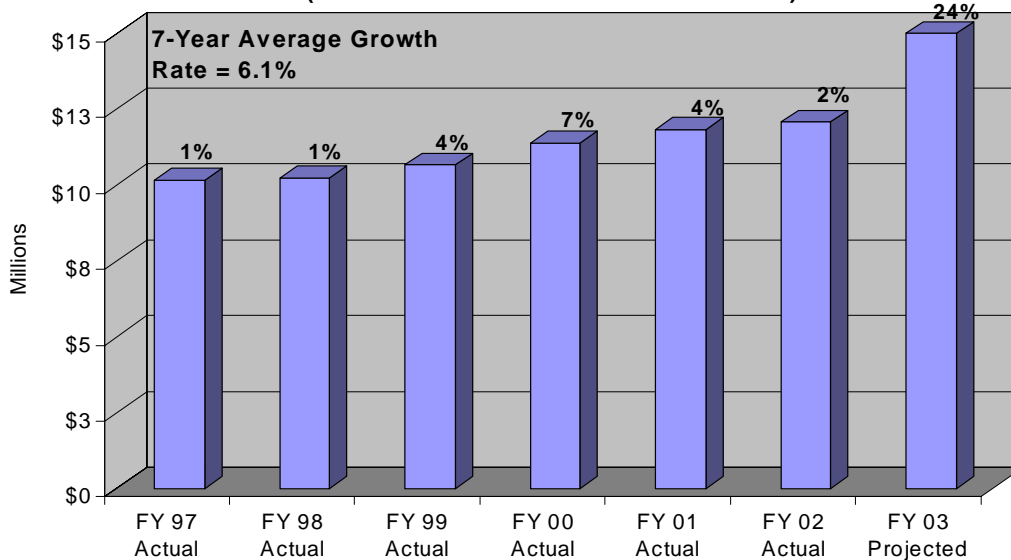


Mitigating Factors:

- Weak economic environment mitigated by post-war economics.
- Stable local spending trends despite National recessionary trends.
- Auto manufacturers continue to offer 0.0% interest rate promotions.

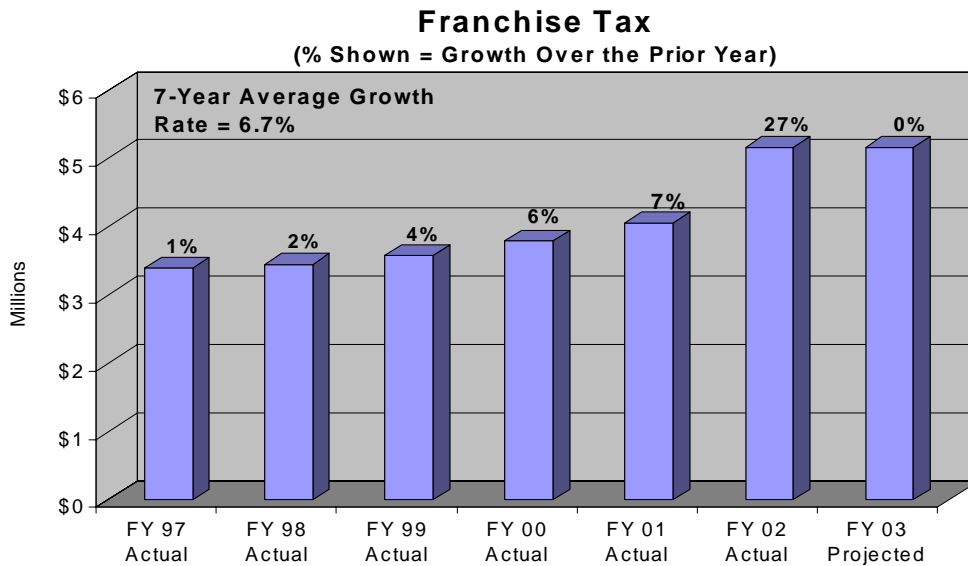
Business Tax

(% Shown = Growth Over the Prior Year)



Motor Vehicle License Fee Revenue FY 2004 Growth Estimate = 4.5%

MAJOR REVENUES - TRENDS, MITIGATING FACTORS & ESTIMATES

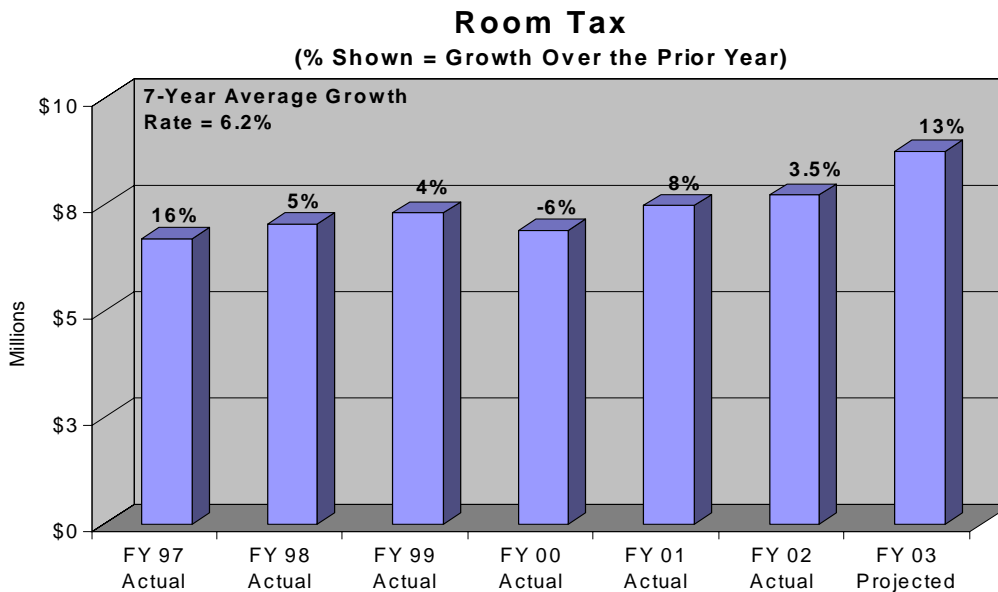


Mitigating Factors:

- Weak economic environment mitigated by post-war economics.

- Growth in FY 2003 due to commencement of compliance efforts.
- Compliance efforts expected to continue, but not have the same impact as the first year.

Business Tax Revenue FY 2004 Growth Estimate = 5.0%



Mitigating Factors:

- Unstable revenue source as it is based on a regulated commodity.

- FY 2002 growth a clear anomaly due to unprecedented energy costs.
- Current energy prices, per PG&E representatives, expected to increase 3%-5%; appears reasonable given trends.

Franchise Tax Revenue FY 2004 Growth Estimate = 3.5%

MAJOR REVENUES - TRENDS, MITIGATING FACTORS & ESTIMATES

Mitigating Factors:

- Weak economic environment mitigated by post-war economics.
- Growth in FY 2003 due to commencement of compliance efforts.
- Compliance efforts expected to continue, but not have the same impact as the first year.

Room Tax Revenue FY 2004 Growth Estimate = 3.0%



GENERAL FUND BUDGET OVERVIEW

	FY 2002 Actual	FY 2003 Adopted	FY 2004 Proposed
RESOURCES			
One-Time Resources			
Carryover	\$ 2,473	\$ 4,565	\$ (518)
Prior-Year Adjustment	(473)	0	0
Transfer Fund Bal-PY PO's	1,184	0	0
Total One-Time Resources	\$ 3,184	\$ 4,565	\$ (518)
Operating Revenue			
Sales Tax	\$ 52,680	\$ 55,923	\$ 57,881
Prop 172 Sales Tax	1,822	1,900	1,900
Property Tax	38,508	38,144	40,594
Property Tax Override	3,475	5,580	5,803
Motor Vehicle In-Lieu	24,353	25,440	26,585
Business Tax	12,055	13,623	15,734
Franchise Tax	5,161	4,765	5,342
Room Tax	3,859	8,737	9,000
Real Estate Transfer Tax	804	688	1,179
Card Room Receipts	802	748	1,005
Charges for Current Services	5,034	6,892	6,640
Enterprise In-Lieu Fees	8,602	8,999	9,100
Intergovernmental Revenues	3,304	992	340
Intragovernmental Revenues	94	(1,428)	(2,613)
All Other	1,001	25	619
Total Operating Revenue	\$ 161,554	\$ 171,028	\$ 179,109
TOTAL RESOURCES	\$ 164,738	\$ 175,593	\$ 178,591

EXPENDITURES

Operating Expenditures

Employee Services	\$ 109,336	\$ 116,937	\$ 118,886
Pension Obligation Bonds	4,130	12,344	12,448
Operations & Maintenance	16,322	17,133	17,074
Interdepartmental Charges	22,062	26,059	25,778
Contingencies	0	955	30
Capital	2,426	2,070	4,375
Total Operating Expenditures	\$ 154,276	\$ 175,498	\$ 178,591

Numbers in thousands of dollars

- (a) In FY 2002, 50 percent of the Room Tax Revenue (TOT) was shown in the General Fund and 50 percent in Convention Center Department. For FY 2003 and FY 2004, the full amount is shown in the General Fund.
- (b) In addition the FY 2004 Proposed General Fund includes the following:
 - \$8.5 million in Reserves for Economic Uncertainty
 - \$1.5 million in reserve for Roeding Business Park

GENERAL FUND BUDGET OVERVIEW

GENERAL FUND BUDGET OVERVIEW

The chart on the previous page depicts a summary of the FY 2002 Actual, FY 2003 Budgeted and FY 2004 Proposed respectively. The revenue is depicted in two main categories, one-time resources and operating revenue. One-time resources for FY 2004 consist of an estimated carryover deficit of \$518,000 from FY 2003, which is less than one-third of one percent of the General Fund. Operating revenues include categories such as sales tax, property tax, motor vehicle in-lieu license fee (VLF), business tax, room tax and charges for services. Overall revenue is projected to grow 4.7 percent in FY 2004, which is conservative when compared to actual revenues realized to date in FY 2003. The revenues received in FY 2003 at March 30 are approximately 6.7 percent greater than the revenues received at March 30 FY 2002. However, given the uncertainties related the impacts of a sluggish economy and in the State's fiscal crisis, the conservative figures represent a reasonable expectation of the anticipated resources. There is a change in accounting treatment in the presentation of the Room Tax, effective FY 2003 all Room Tax revenues are received into the General Fund.

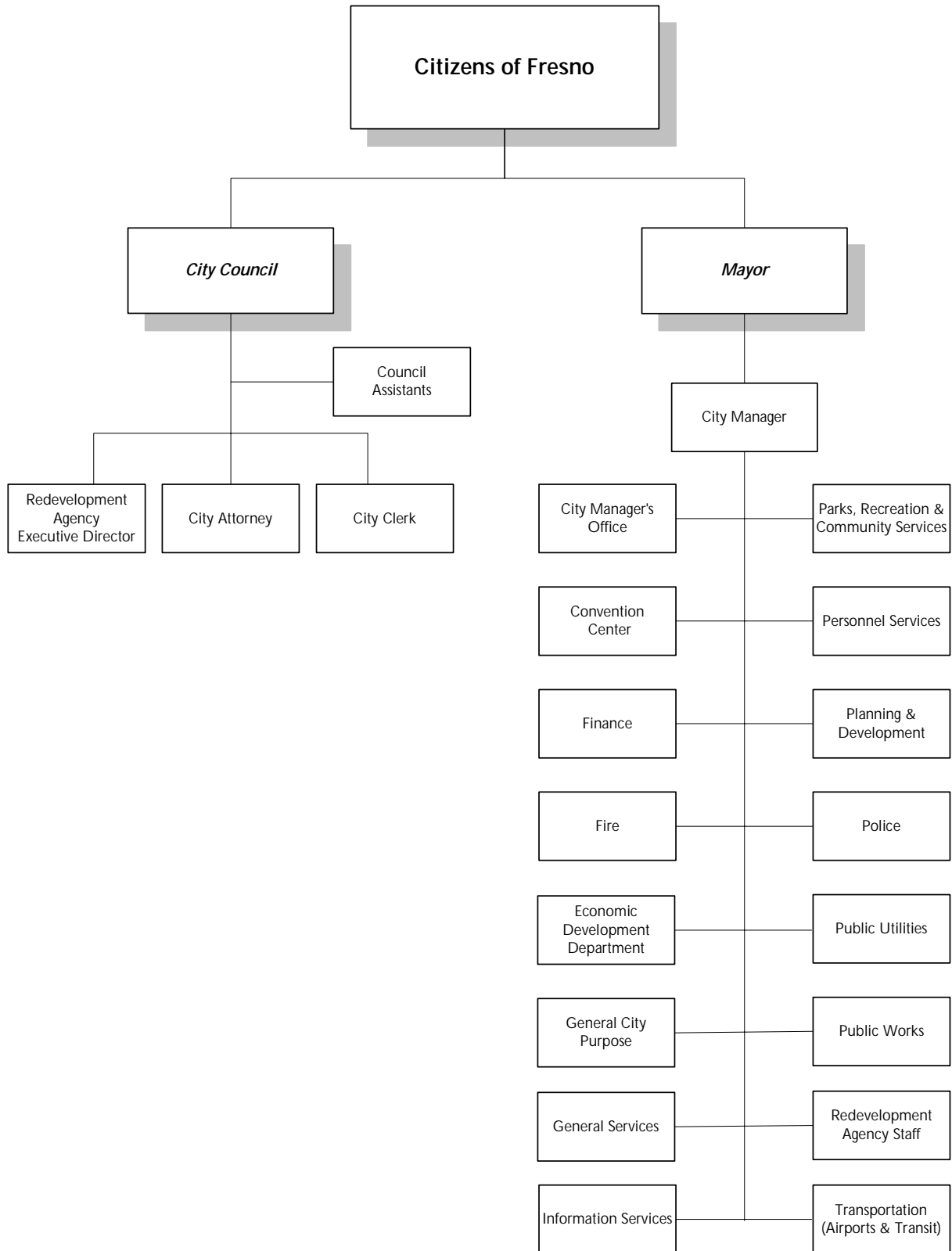
The Operating Expenses are displayed by major expense categories such as Employee Services, Operations and Maintenance, Interdepartmental Charges, etc. The Pension Obligation Bond debt service is substantially lower in FY 2002 due to the refinancing of these bonds. Proactive financial management took advantage of historically low interest rates and in the process created the resources to establish a \$10 million reserve. Operating expenditures have increased 1.8 percent in FY 2004. The primary causes are: 1) employee service increases resulting from negotiated MOU's and the step increases that apply to approximately 30 percent of the workforce and; 2) General Fund capital increases as a result of matching \$1.2 million for \$11.2 million in CMAQ grants related to air quality projects. This local match was previously funded by the State. No increases for outstanding labor contracts or management non-represented employees have been budgeted in FY 2004. The City is absorbing inflation by deferring one-time expenditures such as maintenance, investments in technology and the postponement of training.

The Proposed General Fund Budget for FY 2004 is balanced as shown on the chart.

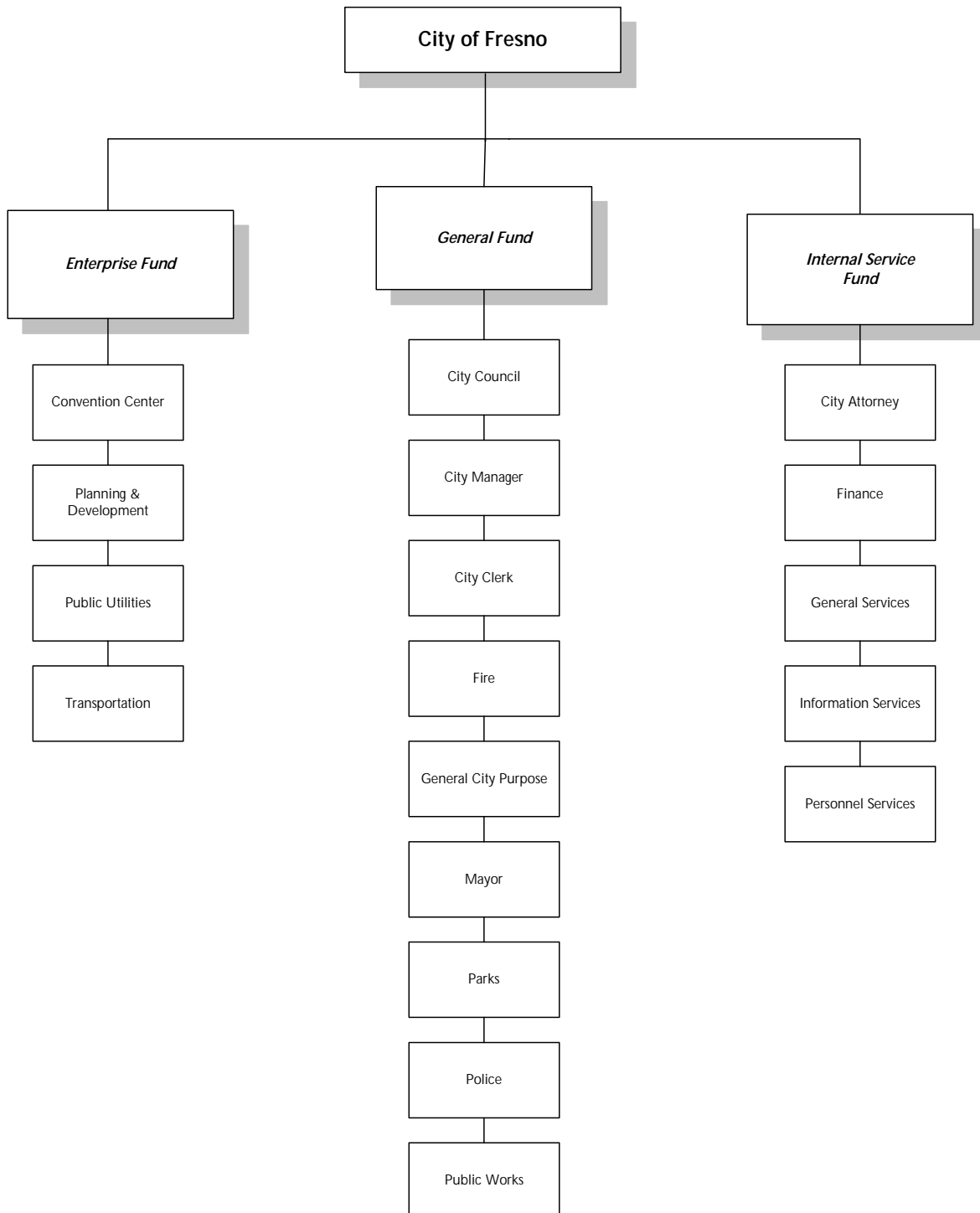
Fiscal Outlook

At this point in time it is impossible to predict how the California State budget crisis will impact the City's fiscal outlook. At a minimum, we can expect our General Fund revenues for VLF to remain at risk until the Legislature takes action. Contingency Plans will continue to be considered and fully developed in the days and weeks following the release of this budget. For further detail related to The Contingency Plan refer the Background and Analysis section of the full budget document.

City Organization Chart



City Operating Fund Structure Chart



STATEMENTS THAT BEST DESCRIBE THE FY 2004 PROPOSED BUDGET

1. Maintenance of essential services provided by all the departments will be preserved.
2. Commitment to public safety and the prevention of violent crimes remains a top priority.
 - \$7.9 million is invested for various fire and police facility improvements.
 - \$2.7 is earmarked for the construction of a fire station in Southeast Fresno.
 - 67 sworn police officers have been added FY 2004 for a total complement of 778.
 - Funding included for 251 firefighters, 12 more than FY 2003.
1. Investment in Job Creation is realized by funding the completion of Roeding Business Park. Funding is also included for the Regional Jobs Initiative and downtown revitalization efforts.
2. \$18.3 million is included for Neighborhood infrastructure projects, a record level of investment in the City's neighborhoods.
3. Protection of the reserves is crucial in these uncertain economic times. Except for specific economic development opportunities, the reserve will remain untouched.
4. Privatization of professional marketing and operating services at the Convention Center is addressed in this budget generating \$940,000 in additional resources. It will generate funds to support the needed \$10 - \$12 million facility renovation. If left unaddressed, competitive challenges will have an adverse impact upon the Center and the City's General Fund.
5. Recognizing that the children of our community deserve the most effective after-school programs, this budget includes the Youth READY Program. It also funds three additional Pocket Parks and the design for a Little League Park in Southwest Fresno.
6. Senior programs continue to be a priority with an overall allocation in excess of \$1 million.
7. Air Quality is another key initiative of the FY 2004 budget.
 - \$11 million for Clean Air Street projects.
 - Over \$3 million for 25 CNG buses.
 - \$2.1 million for 12 clean burning fuel refuse trucks.
 - \$2 million for facility improvements to handle these new clean air vehicles.
 - Support for Operation Clean Air.
1. This budget brings forward amendments to a limited number of user fees that were validated by a Council initiated User Fee Study.
2. The uncertain outcome of the State's budget crisis requires that we continue to develop and refine our Contingency Plans. In addition, the City will continue to pursue "Best Practices" to maximize efficiencies.
3. 33.12 non-sworn positions have been eliminated citywide.
4. The budget adds three positions to Planning and Development inspection services to accelerate project timelines for job creation.
5. The total FY 2004 Citywide budget is \$726 million, down \$20 million or 2.7% from the FY 2003 \$746 million Citywide budget.